

**VILLAGE OF MOGADORE**

SUMMIT COUNTY

**INDEPENDENT ACCOUNTANTS' REPORT**

FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND DECEMBER 31, 2008

Varney, Fink & Associates, Inc.  
Certified Public Accountants





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Mogadore  
135 S. Cleveland Avenue  
Mogadore, Ohio 44260

We have reviewed the *Independent Accountants' Report* of the Village of Mogadore, Summit County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Mogadore is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 8, 2010

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**VILLAGE OF MOGADORE, OHIO  
SUMMIT COUNTY  
FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND DECEMBER 31, 2008**

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**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Mogadore, Summit County  
135 South Cleveland Avenue  
Mogadore, OH 44260

To the Village Council:

We have audited the accompanying financial statements of the Village of Mogadore, Summit County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

## INDEPENDENT ACCOUNTANTS' REPORT (continued)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not express an opinion on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

August 24, 2010

**Village of Mogadore, Ohio**  
**Summit County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash**  
**Balances - All Governmental Fund Types**  
**For the Year Ended December 31, 2009**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property Tax and Other Local Taxes	\$199,387	\$32,280	\$0	\$0	\$231,667
Municipal Income Taxes	0	1,809,157	0	0	1,809,157
Intergovernmental	237,453	292,680	0	339,447	869,580
Charges for Services	0	116,737	0	0	116,737
Fines, Licenses and Permits	59,400	4,626	0	0	64,026
Earnings on Investments	1,457	0	0	0	1,457
Miscellaneous	109,553	14,763	0	0	124,316
<b>Total Cash Receipts</b>	<b>607,250</b>	<b>2,270,243</b>	<b>0</b>	<b>339,447</b>	<b>3,216,940</b>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	984,207	214,593	0	0	1,198,800
Public Health Services	23,699	24,038	0	0	47,737
Leisure Time Activities	0	105,068	0	0	105,068
Community Environment	4,707	0	0	0	4,707
Transportation	0	403,834	0	0	403,834
General Government	408,451	52,866	0	0	461,317
Debt Service:					
Redemption of Principal	0	0	865,000	0	865,000
Interest and Other Fiscal Charges	0	0	29,478	0	29,478
Capital Outlay	90,343	5,825	0	1,034,039	1,130,207
<b>Total Cash Disbursements</b>	<b>1,511,407</b>	<b>806,224</b>	<b>894,478</b>	<b>1,034,039</b>	<b>4,246,148</b>
<b>Total Cash Receipts Over/(Under)</b>					
Cash Disbursements	(904,157)	1,464,019	(894,478)	(694,592)	(1,029,208)
<b>Other Financing Sources/(Uses)</b>					
Proceeds of Notes	40,000	0	815,000	220,000	1,075,000
Transfers In	885,928	280,345	76,600	440,548	1,683,421
Transfers Out	0	(1,683,421)	0	0	(1,683,421)
<b>Total Other Financing Sources/(Uses)</b>	<b>925,928</b>	<b>(1,403,076)</b>	<b>891,600</b>	<b>660,548</b>	<b>1,075,000</b>
<b>Excess of Cash Receipts and Other Financing Sources</b>					
Over/(Under) Cash Disbursements and Other Financing Uses	21,771	60,943	(2,878)	(34,044)	45,792
<b>Fund Cash Balances /(Deficits), January 1, 2009</b>	<b>(34,676)</b>	<b>4,048</b>	<b>(41,087)</b>	<b>959,668</b>	<b>887,953</b>
<b>Fund Cash Balances /(Deficits), December 31, 2009</b>	<b>(\$12,905)</b>	<b>\$64,991</b>	<b>(\$43,965)</b>	<b>\$925,624</b>	<b>\$933,745</b>
Reserve For Encumbrances	\$1,820	\$0	\$0	\$15,109	\$16,929

The notes to the financial statements are an integral part of this statement.



**Village of Mogadore, Ohio**  
**Summit County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Changes in**  
**Fund Cash Balance - Fiduciary Fund Type**  
**For the Year Ended December 31, 2009**

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	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts	<u>\$73,142</u>
Operating Cash Disbursements	<u>76,089</u>
Operating Loss	<u>(2,947)</u>
Fund Cash Balance, January 1, 2009	<u>24,270</u>
Fund Cash Balance, December 31, 2009	<u><u>\$21,323</u></u>
Reserve For Encumbrances	<u><u>\$0</u></u>

The notes to the financial statements are an integral part of this statement.

**Village of Mogadore, Ohio**  
**Summit County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash**  
**Balances - All Governmental Fund Types**  
**For the Year Ended December 31, 2008**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property Tax and Other Local Taxes	\$212,101	\$31,263	\$0	\$0	\$243,364
Municipal Income Taxes	0	2,082,430	0	0	2,082,430
Intergovernmental	243,913	330,720	0	301,341	875,974
Charges for Services	0	104,943	0	0	104,943
Fines, Licenses and Permits	76,237	4,464	0	0	80,701
Earnings on Investments	19,081	789	0	0	19,870
Miscellaneous	54,203	16,691	0	0	70,894
<b>Total Cash Receipts</b>	<b>605,535</b>	<b>2,571,300</b>	<b>0</b>	<b>301,341</b>	<b>3,478,176</b>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	1,043,966	163,146	0	0	1,207,112
Public Health Services	25,424	31,437	0	0	56,861
Leisure Time Activities	0	158,705	0	0	158,705
Community Environment	1,175	0	0	0	1,175
Transportation	0	522,236	0	0	522,236
General Government	496,955	60,619	0	0	557,574
Debt Service:					
Redemption of Principal	0	0	770,000	0	770,000
Interest and Other Fiscal Charges	0	0	30,530	0	30,530
Capital Outlay	99,722	315,813	0	374,825	790,360
<b>Total Cash Disbursements</b>	<b>1,667,242</b>	<b>1,251,956</b>	<b>800,530</b>	<b>374,825</b>	<b>4,094,553</b>
<b>Total Cash Receipts Over/(Under)</b>					
Cash Disbursements	(1,061,707)	1,319,344	(800,530)	(73,484)	(616,377)
<b>Other Financing Sources/(Uses)</b>					
Proceeds of Notes	0	165,000	700,000	0	865,000
Transfers In	1,003,236	390,960	90,775	505,161	1,990,132
Transfers Out	0	(1,990,132)	0	0	(1,990,132)
Other Financing Uses	0	0	0	(109,801)	(109,801)
<b>Total Other Financing Sources/(Uses)</b>	<b>1,003,236</b>	<b>(1,434,172)</b>	<b>790,775</b>	<b>395,360</b>	<b>755,199</b>
<b>Excess of Cash Receipts and Other Financing Sources</b>					
<b>Over/(Under) Cash Disbursements and Other</b>					
<b>Financing Uses</b>	<b>(58,471)</b>	<b>(114,828)</b>	<b>(9,755)</b>	<b>321,876</b>	<b>138,822</b>
<b>Fund Cash Balances/(Deficits), January 1, 2008</b>	<b>23,795</b>	<b>118,876</b>	<b>(31,332)</b>	<b>637,792</b>	<b>749,131</b>
<b>Fund Cash Balances/(Deficits), December 31, 2008</b>	<b>(\$34,676)</b>	<b>\$4,048</b>	<b>(\$41,087)</b>	<b>\$959,668</b>	<b>\$887,953</b>
<b>Reserve For Encumbrances</b>	<b>\$8,181</b>	<b>\$725</b>	<b>\$0</b>	<b>\$665,491</b>	<b>\$674,397</b>

The notes to the financial statements are an integral part of this statement.

**Village of Mogadore, Ohio**  
**Summit County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Changes in**  
**Fund Cash Balances - Fiduciary Fund Type**  
**For the Year Ended December 31, 2008**

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	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts	<u>\$70,038</u>
Operating Cash Disbursements	<u>70,449</u>
Operating Loss	<u>(411)</u>
Non-Operating Cash Receipts	<u>4,000</u>
Non-Operating Cash Disbursements	<u>4,000</u>
Excess of Receipts Over /(Under) Disbursements	(411)
Fund Cash Balance, January 1, 2008	<u>24,681</u>
Fund Cash Balance, December 31, 2008	<u><u>\$24,270</u></u>
Reserve For Encumbrances	<u><u>\$0</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008

**1. REPORTING ENTITY**

Village of Mogadore, Summit County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. It is located within both Summit and Portage counties. The Village is directed by a publicly-elected, seven-member Council. The Village provides general governmental services, including park operations (leisure time activities), police, fire and emergency medical services to the residents of the Village.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie, when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

B. Deposits and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

C. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**General Fund** - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Street Maintenance Construction and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Income Tax Fund – This fund is used to account for the costs of collecting the self assessed taxes and the cost of administering and enforcing the income tax in accordance with the Village ordinance.

**Debt Service Fund** – This fund is used to accumulate resources for the payment of note indebtedness. The Village’s only Debt Service Fund is the General Obligation Fund which is used to accumulate resources for the payment of principal and interest on various notes of the Village.

**Capital Projects Fund** – This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Project Fund:

Water/Sewer Construction Fund – This fund receives proceeds from the Ohio Public Works Commission.

**Fiduciary Fund (Trust and Agency Funds)** – These funds include private purpose trust fund, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments, which are not available to support the Village’s own programs. Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village does not have trust funds. The Village has the following significant Agency Fund:

Mayor’s Court Fund – This fund receives and distributes fines collected by the Mayor’s Court.

**D. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) to be budgeted annually.

**Appropriations** - Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Encumbrances** - The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 budgetary activity appears in Note 4.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The Village maintains a deposit and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount at December 31 was as follows:

	2009	2008
Demand deposits	(\$19,932)	(\$17,777)
Repurchase agreement	975,000	930,000
Total Deposits and Investments	\$955,068	\$912,223

**Deposits** – Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments** - The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2009 and December 31, 2008 was as follows:

2009 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,703,946	\$1,533,178	(\$170,768)
Special Revenue	2,583,899	2,550,588	(33,311)
Debt Service	894,600	891,600	(3,000)
Capital Projects	1,433,598	999,995	(433,603)
Total	<u>\$6,616,043</u>	<u>\$5,975,361</u>	<u>(\$640,682)</u>

2009 Budgeted vs. Actual Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$1,682,671	\$1,513,227	\$169,444
Special Revenue	2,583,323	2,489,645	93,678
Debt Service	894,600	894,478	122
Capital Projects	1,719,291	1,049,148	670,143
Total	<u>\$6,879,885</u>	<u>\$5,946,498</u>	<u>\$933,387</u>

2008 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,705,727	\$1,608,771	(\$96,956)
Special Revenue	3,188,298	3,127,260	(61,038)
Debt Service	847,483	790,775	(56,708)
Capital Projects	1,098,667	806,502	(292,165)
Total	<u>\$6,840,175</u>	<u>\$6,333,308</u>	<u>(\$506,867)</u>

2008 Budgeted vs. Actual Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$1,730,385	\$1,675,423	\$54,962
Special Revenue	3,296,161	3,242,813	53,348
Debt Service	816,150	800,530	15,620
Capital Projects	1,060,187	1,150,117	(89,930)
Total	<u>\$6,902,883</u>	<u>\$6,868,883</u>	<u>\$34,000</u>

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008

**5. NONCOMPLAINE**

Contrary to Ohio Revised Code, Section 5705.36 (A)(4), the Village should have requested amended Certificates of Estimated Resources for the following funds: General, Street Construction Maintenance and Repair, Parks and Recreation, and Debt Service Funds in 2009 and 2008, and in 2009, the Income Tax Fund.

Contrary to Ohio Revised Code, Section 5705.41(B), expenditures plus encumbrances exceeded appropriations in the following funds: Income Tax, Street Construction Maintenance and Repair, and Water/Sewer Main Funds as of December 31, 2008.

Contrary to Ohio Revised Code, Section 5705.10, the Village had negative fund balances in the following funds:

- a) General, Street Construction Maintenance and Repair, Parks and Recreation, Cemetery, and Debt Service Funds as of December 31, 2009 and December 31, 2008.
- b) Fire Grant and Police Pension Fund as of December 31, 2009

**6. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed to the property owners, who must file a list of such property to the County by each April 30. Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2008 was 6.25 percent. This was reduced to zero for 2009.

The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Village.

**7. INCOME TAX**

The Village levies and collects an income tax of 2% on all income earned within the Village as well as on income of residents earned outside the Village. The Village allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. The Village has contracted with the Regional Income Tax Authority (RITA) for collection of income taxes. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax to the Village at least quarterly and to file a return annually. The Village received \$1,809,157 and \$2,082,430 of income taxes in 2009 and 2008, respectively. As of July 2010, an increase of .25% was voted on and passed. The effective rate as of May 2010, became 2.25%



VILLAGE OF MOGADORE  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008

**8. DEBT**

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Note, 2009	\$650,000	3.00%
Various Purpose Note, 2009-A	260,000	3.96%
Vehicle Acquisition Notes - 2009	<u>165,000</u>	3.89%
Total	<u><u>\$1,075,000</u></u>	

Various Purpose Note, Series 2009 was issued March 17, 2009, in the amount of \$650,000. The note matures March 16, 2010, at an interest rate of 3.00%. The note was issued in anticipation of the issuance of bonds to pay costs of constructing, furnishing, equipping, and otherwise improving a police station and its site.

Various Purpose Note, Series 2009-A was issued August 14, 2009, in the amount of \$260,000. The note matures August 13, 2010, at an interest rate of 3.96%. The note was issued in anticipation of the issuance of bonds to pay costs of (a) constructing and installing improvements to the Village municipal buildings, and (b) improving certain streets in the Village by constructing and installing waterlines and necessary street repairs.

Vehicle Acquisition Notes – 2009 were issued September 17, 2009, in the amount of \$165,000. The notes mature September 17, 2010, at an interest rate of 3.89%. These notes were issued in anticipation of the issuance of bonds to pay costs of acquiring trucks for the Village Service Department.

**9. RETIREMENT SYSTEMS**

The Village's law enforcement officers and fire fighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire fighters wages. OPERS members contributed 10 percent of their wages for 2009 and 2008. The Village contributed an amount equal to 14 percent for 2009 and 2008 of participants' gross salaries. The Village has paid all contributions required through December 31, 2009

VILLAGE OF MOGADORE  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008

**10. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Village also provides health insurance and dental insurance to full-time employees through a private carrier.

**11. RELATED PARTIES**

During 2009 and 2008, the Village purchased trophies and plaques from Harris Trophy, which is owned and operated by the Village Recreation Director, at a cost of \$20 and \$689 respectively.

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Mogadore, Summit County  
135 South Cleveland Avenue  
Mogadore, OH 44260

To the Village Council:

We have audited the financial statements of Village of Mogadore, Summit County (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated August 24, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not expressed an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings and Responses we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-01 described in the accompanying Schedule of Findings and Responses to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2009-02 through 2009-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 24, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

August 24, 2010

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED  
TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding 2009-01            Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer of the Village and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Failure to correctly record revenues and expenditures may not only impact the users' understanding of the financial operations, it may also inhibit the Village Council and management's ability to make sound financial decisions, and result in material misstatement of the financial statements.

The following adjustments have been made to correctly reflect the financial activity of the Village:

CDBG grant monies were recorded in the General, Street Construction Maintenance and Repair, and Debt Service Funds instead of the CDBG Capital Projects Fund in 2008. The amount was \$62,874.

Property taxes of \$16,253 were recorded as intergovernmental revenue, rather than property and other local taxes in the General Fund in 2009.

Property taxes in the amount of \$2,636 were recorded in the General Fund instead of the Police Pension Fund where it was to be distributed in 2009.

The Fiscal Officer should review the Ohio Village Officer's Handbook and Auditor of State Bulletins for guidance in recording financial activity.

Officials Response:

The CDBG funds were held by Summit County until after the end of the fiscal year. With the approval of Council, transfers were made from the Income tax fund to the CDBG fund in 2008 to avoid a deficit in that fund. When the grant funds were received in 2009 the revenue was paid to the funds that would have normally received the income tax transfers, this was done with Council approval. All transactions were recorded in the Minutes of Record. Careful attention will be paid on preparing future Annual Reports to insure that receipts are posted correctly. The Village Handbook will be reviewed as well as the Auditor of State Bulletins.

Finding 2009-02            Noncompliance

Section 5705.36(A)(4), Ohio Revised Code, requires subdivisions to obtain a reduced amended certificate of estimated resources if the amount of the deficiency will reduce available resources below the current level of appropriations.

The following funds had actual resources less than appropriations in 2008: General; Street Construction Maintenance and Repair; Parks and Recreation; and the Debt Service Fund. In addition, the Income Tax Fund had actual resources less than appropriations in 2009. The Clerk/Treasurer should have requested a reduced certificate and also reduced the appropriations.

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED  
TO BE REPORTED IN ACCORDANCE WITH GAGAS

Officials Response:

Every effort will be made in the future to ensure compliance.

Finding 2009-03 Noncompliance

Section 5705.41(B), Ohio Revised Code, states that no subdivision is to expend money unless it has been appropriated. The following funds had expenditures plus encumbrances exceeding authorized appropriations.

<u>Fund</u>	<u>As of</u> <u>December 31, 2008</u>
Income Tax	\$7,070
Street Construction Maintenance and Repair	\$13,088
Water/Sewer Main	\$122,255

We also noted that appropriations posted to the Village's appropriation ledger did not agree with the annual appropriation measure and subsequent amendments. Because appropriations entered into the accounting system were inaccurate, Village management was unable to effectively monitor budgetary activity throughout the year. Adjustments have been made to the budgetary activity reported in Note 4 to the financial statements in order to accurately present appropriations approved by Council.

The Clerk/Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations to avoid overspending and ensure appropriations authorized are posted accurately and timely.

Officials Response:

Every effort will be made to control expenses and remain within the approved appropriations.

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED  
TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding 2009-04            Noncompliance

Section 5705.10, Ohio Revised Code, states, in part, money that is paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Negative fund balances occurred as follows:

<u>Fund</u>	March 31, <u>2008</u>	June 30, <u>2008</u>	December 31, <u>2008</u>
General			\$34,676
Street Construction Maintenance and Repair	\$1,506	\$38,751	\$95,711
Parks and Recreation		\$11,245	\$21,594
Cemetery			\$13,097
Debt Service			\$41,087

<u>Fund</u>	February 28, <u>2009</u>	May 31, <u>2009</u>	August 31, <u>2009</u>	December 31, <u>2009</u>
General		\$46,324		\$12,905
Street Construction Maintenance and Repair	\$124,368	\$200,392	\$175,428	\$83,258
Parks and Recreation	\$13,670	\$47,220	\$51,030	\$24,397
Cemetery	\$1,467	\$7,741		\$19,599
Debt Service		\$42,399		\$43,965
Fire Grant				\$900
Police Pension				\$483

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of those funds. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

Officials Response:

The Clerk-Treasurer and Council are making every effort to control spending and are keeping a close watch on the appropriations, making amendments when necessary. Efforts are being made to follow through on this finding.



VILLAGE OF MOGADORE  
SUMMIT COUNTY  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
YEARS ENDING DECEMBER 31, 2009 AND DECEMBER 31, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED  
TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding 2009-05            Noncompliance

Sections 5705.14, 5705.15, and 5705.16, Ohio Revised Code, provide guidelines pertaining to allowable interfund transfers. Generally, before an interfund transfer can be made, a resolution of the taxing authority of the political subdivisions shall be passed by a majority of the governing board or within its annual appropriation measure provided that the measure was passed by a simple majority of the board members. The Village did approve transfers within its annual appropriation measure by specifically stating the funds that would receive the transfers and the amount to be transferred to those funds from the Income Tax Fund. However, the Village amended the appropriations by reducing the appropriations, but did not detail the funds and amounts. Therefore, it was undeterminable as to which funds were affected by the amended appropriations. The following transfers exceeded the original appropriations by the stated amount:

2008:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Income Tax	Cemetery	\$13,097
Income Tax	Debt Service	\$9,755
Income Tax	Police Pension	\$3,124
Income Tax	CDBG	\$5,761

2009:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Income Tax	Cemetery	\$6,505
Income Tax	Fire Dept. Grant	\$900
Income Tax	CDBG	\$42,871
Income Tax	Debt Service	\$2,878

The Village has returned the unauthorized appropriations and adjustments have been made to the financial statements.

Officials Response:

The Clerk-Treasurer understood that adjustments could be made to the appropriations within a fund with Council approval as long as the total appropriations for that fund do not change. In the future, when changes are made to the transfer-out amounts the annual appropriations will reflect the recalculation of those transfers to the various funds.

**VILLAGE OF MOGADORE  
SUMMIT COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2009  
AND DECEMBER 31, 2008**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2007-001	Audit Adjustments	No	Not Corrected Reissued as Finding 2009-01
2007-002	ORC Section 5705.10 Negative cash balances	No	Not Corrected Reissued as Finding 2009-03
2007-003	ORC Section 5705.36 Amended Certificate of estimated resources	No	Not Corrected Reissued as Finding 2009-04



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MOGADORE**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 18, 2010**